



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004
OF THE CONDITION AND AFFAIRS OF THE
MCARE INC.

NAIC Group Code34143414NAIC Company Code95449Employer's ID Number38-2649504
(Current)(Prior)

Organized under the Laws of, State of Domicile or Port of EntryMichigan

Country of DomicileUnited States of America

Licensed as business type:Health Maintenance Organization

Is HMO Federally Qualified? Yes [X] No []

Incorporated01/01/1986Commenced Business10/01/1986

Statutory Home Office2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)

Main Administrative Office2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)734-747-8700
(Area Code) (Telephone Number)

Mail Address2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number or P.O. Box)(City or Town, State and Zip Code)

Primary Location of Books and Records2301 Commonwealth Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)734-747-8700
(Area Code) (Telephone Number)

Internet Website Addresswww.mcare.net

Statutory Statement ContactSusan M. Agnew734-332-2500
(Name)(Area Code) (Telephone Number)
sagnew@mcare.med.umich.edu734-332-2177
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Policyowner Relations Contact2301 Commonwealth Blvd. Ann Arbor , MI 48105
(Street and Number)(City or Town, State and Zip Code)734-913-2211
(Area Code) (Telephone Number)

OFFICERS

PresidentZelda Geyer-Sylvia

TreasurerDouglas L. Strong

SecretaryLarry Warren

ActuaryGregory A. Hawkins

OTHER

DIRECTORS OR TRUSTEES

Darrell A. Campbell Jr., M.D.

Zelda Geyer-Sylvia

Sally Joy

Robert P. Kelch M.D.

Jean M. Malouin M.D

Richard C. Petrocelli

Timothy P. Slottow

Douglas L. Strong

Larry Warren

Miriam M. Weininger

Dorothy C. Symons

James O. Woollescroft M.D.

State ofMichigan

County ofWashtenaw

SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Zelda Geyer-Sylvia
Executive Director

Larry Warren
Secretary

Douglas L. Strong
Treasurer

Subscribed and sworn to before me this day of

a. Is this an original filing? Yes [X] No []

b. If no,

1. State the amendment number.....

2. Date filed

3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	10,866,289	0	10,866,289	23,934,199
2. Stocks (Schedule D):				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	38,654,593	0	38,654,593	13,901,667
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$0 encumbrances)	0	0	0	0
5. Cash (\$(4,708,302) , Schedule E - Part 1), cash equivalents (\$32,620,694 , Schedule E - Part 2) and short-term investments (\$47,975,637 , Schedule DA)	75,888,030	0	75,888,030	90,197,722
6. Contract loans, (including \$0 premium notes)	0	0	0	0
7. Other invested assets (Schedule BA)	2,058,471	0	2,058,471	2,064,064
8. Receivable for securities	0	0	0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	127,467,383	0	127,467,383	130,097,652
11. Investment income due and accrued	466,059	0	466,059	315,137
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	1,596,291	50,661	1,545,630	2,462,788
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums)	0	0	0	0
12.3 Accrued retrospective premiums	0	0	0	0
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	0	0	0	0
13.2 Funds held by or deposited with reinsured companies	0	0	0	0
13.3 Other amounts receivable under reinsurance contracts	0	0	0	0
14. Amounts receivable relating to uninsured plans	0	0	0	0
15.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
15.2 Net deferred tax asset	0	0	0	0
16. Guaranty funds receivable or on deposit	0	0	0	0
17. Electronic data processing equipment and software	1,260,597	722,833	537,764	568,043
18. Furniture and equipment, including health care delivery assets (\$0)	334,949	334,949	0	0
19. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
20. Receivables from parent, subsidiaries and affiliates	1,538,747	0	1,538,747	0
21. Health care (\$0) and other amounts receivable	0	0	0	0
22. Other assets nonadmitted	0	0	0	0
23. Aggregate write-ins for other than invested assets	4,058,562	4,058,562	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	136,722,588	5,167,005	131,555,583	133,443,620
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
26. Total (Lines 24 and 25)	136,722,588	5,167,005	131,555,583	133,443,620
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Leasehold improvements	856,057	856,057	0	0
2302. Prepaid Expenses	3,141,644	3,141,644	0	0
2303. Improvements in Progress	60,861	60,861	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	4,058,562	4,058,562	0	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$0 reinsurance ceded)	36,223,374	0	36,223,374	42,597,108
2. Accrued medical incentive pool and bonus amounts	20,605,727	0	20,605,727	24,914,861
3. Unpaid claims adjustment expenses	1,113,320	0	1,113,320	1,622,821
4. Aggregate health policy reserves.....	0	0	0	0
5. Aggregate life policy reserves.....	0	0	0	0
6. Property/casualty unearned premium reserves.....	0	0	0	0
7. Aggregate health claim reserves.....	0	0	0	0
8. Premiums received in advance.....	7,343,009	0	7,343,009	8,205,743
9. General expenses due or accrued.....	3,778,673	0	3,778,673	4,615,675
10.1 Current federal and foreign income tax payable and interest thereon (including \$0 on realized capital gains (losses))	0	0	0	0
10.2 Net deferred tax liability.....	0	0	0	0
11. Ceded reinsurance premiums payable.....	0	0	0	0
12. Amounts withheld or retained for the account of others.....	0	0	0	0
13. Remittance and items not allocated.....	0	0	0	0
14. Borrowed money (including \$0 current) and interest thereon \$0 (including \$0 current).....	0	0	0	0
15. Amounts due to parent, subsidiaries and affiliates.....	0	0	0	0
16. Payable for securities.....	0	0	0	0
17. Funds held under reinsurance treaties (with \$0 authorized reinsurers and \$0 unauthorized reinsurers).....	0	0	0	0
18. Reinsurance in unauthorized companies.....	0	0	0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
20. Liability for amounts held under uninsured accident and health plans.....	0	0	0	0
21. Aggregate write-ins for other liabilities (including \$0 current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	69,064,103	0	69,064,103	81,956,208
23. Common capital stock.....	XXX	XXX	0	0
24. Preferred capital stock.....	XXX	XXX	0	0
25. Gross paid in and contributed surplus.....	XXX	XXX	0	0
26. Surplus notes.....	XXX	XXX	3,831,446	4,331,446
27. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
28. Unassigned funds (surplus).....	XXX	XXX	58,660,034	47,155,966
29. Less treasury stock, at cost:				
29.1 .....0 shares common (value included in Line 23 \$0).....	XXX	XXX	0	0
29.2 .....0 shares preferred (value included in Line 24 \$0).....	XXX	XXX	0	0
30. Total capital and surplus (Lines 23 to 28 minus Line 29).....	XXX	XXX	62,491,480	51,487,412
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	131,555,583	133,443,620
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2701.	XXX	XXX		
2702.	XXX	XXX		
2703.	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	2, 191, 203	2, 310, 920
2. Net premium income (including \$0 non-health premium income)	XXX	438, 578, 950	458, 020, 490
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$0 medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	438, 578, 950	458, 020, 490
Hospital and Medical:			
9. Hospital/medical benefits	0	298, 428, 907	311, 459, 417
10. Other professional services	0	0	0
11. Outside referrals	0	0	0
12. Emergency room and out-of-area	0	2, 823, 779	3, 234, 215
13. Prescription drugs	0	51, 485, 910	48, 984, 895
14. Aggregate write-ins for other hospital and medical.....	0	28, 350, 750	31, 558, 466
15. Incentive pool, withhold adjustments, and bonus amounts	0	16, 660, 103	20, 636, 030
16. Subtotal (Lines 9 to 15)	0	397, 749, 449	415, 873, 023
Less:			
17. Net reinsurance recoveries	0	0	0
18. Total hospital and medical (Lines 16 minus 17)	0	397, 749, 449	415, 873, 023
19. Non-health claims	0	0	0
20. Claims adjustment expenses, including \$1, 648, 846 cost containment expenses	0	2, 817, 198	0
21. General administrative expenses	0	29, 806, 530	33, 683, 203
22. Increase in reserves for life and accident and health contracts (including \$0 increase in reserves for life only)	0	0	0
23. Total underwriting deductions (Lines 18 through 22).....	0	430, 373, 177	449, 556, 226
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	8, 205, 773	8, 464, 264
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	2, 035, 178	1, 922, 594
26. Net realized capital gains (losses)	0	531, 474	134, 373
27. Net investment gains (losses) (Lines 25 plus 26)	0	2, 566, 652	2, 056, 967
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$0) (amount charged off \$0)]	0	0	0
29. Aggregate write-ins for other income or expenses	0	(411, 205)	(1, 343, 000)
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	10, 361, 220	9, 178, 231
31. Federal and foreign income taxes incurred	XXX	0	0
32. Net income (loss) (Lines 30 minus 31)	XXX	10, 361, 220	9, 178, 231
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Durable Medical Equip and Other	0	18, 680, 564	20, 733, 810
1402. Mental Health	0	9, 670, 186	10, 053, 164
1403. Reinsurance	0	0	771, 492
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	28, 350, 750	31, 558, 466
2901. Interest Expense on Note Payable	0	(411, 205)	(1, 343, 000)
2902.			
2903			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	(411, 205)	(1, 343, 000)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior reporting year.....	51,487,412	41,546,093
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	10,361,220	9,178,231
35. Change in valuation basis of aggregate policy and claim reserves	0	0
36. Net unrealized capital gains and losses.....	1,295,786	3,360,381
37. Change in net unrealized foreign exchange capital gain or (loss)	0	0
38. Change in net deferred income tax	0	0
39. Change in nonadmitted assets	(144,162)	(1,781,143)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	(500,000)	0
43. Cumulative effect of changes in accounting principles.....	(8,780)	(816,150)
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....	0	0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46. Dividends to stockholders	0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	11,004,064	9,941,319
49. Capital and surplus end of reporting period (Line 33 plus 48)	62,491,476	51,487,412
DETAILS OF WRITE-INS		
4701. 0	0	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	438,620,570	455,432,773
2. Net investment income	1,873,678	2,115,684
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	440,494,248	457,548,457
5. Benefit and loss related payments	408,432,317	428,679,601
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	34,299,943	33,403,382
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$0 net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	442,732,260	462,082,983
11. Net cash from operations (Line 4 minus Line 10)	(2,238,012)	(4,534,526)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	14,457,701	19,874,528
12.2 Stocks	15,769,321	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	(5,280)
12.7 Miscellaneous proceeds	395,385	204,967
12.8 Total investment proceeds (Lines 12.1 to 12.7)	30,622,407	20,074,215
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,591,581	20,637,345
13.2 Stocks	38,962,679	134,560
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	700,000
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	40,554,260	21,471,905
14. Net increase (decrease) in policy loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(9,931,853)	(1,397,690)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(500,000)	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(1,639,826)	(857,922)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(2,139,826)	(857,922)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	(14,309,691)	(6,790,138)
19. Cash and short-term investments:		
19.1 Beginning of year	90,197,721	96,987,859
19.2 End of year (Line 18 plus Line 19.1)	75,888,030	90,197,721

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	438,578,950	419,067,284	0	0	0	19,511,666	0	0	0	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Fee-for-service (net of \$0 medical expenses)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue	0	0	0	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	438,578,950	419,067,284	0	0	0	19,511,666	0	0	0	0	0	0	0
8. Hospital/medical benefits	298,428,907	283,794,373	0	0	0	14,634,534	0	0	0	0	0	0	XXX
9. Other professional services	0	0	0	0	0	0	0	0	0	0	0	0	XXX
10. Outside referrals	0	0	0	0	0	0	0	0	0	0	0	0	XXX
11. Emergency room and out-of-area	2,823,779	2,823,779	0	0	0	0	0	0	0	0	0	0	XXX
12. Prescription drugs	51,485,910	47,567,416	0	0	0	3,918,494	0	0	0	0	0	0	XXX
13. Aggregate write-ins for other hospital and medical revenues	28,350,750	28,250,625	0	0	0	100,125	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	16,660,103	16,660,103	0	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	397,749,449	379,096,296	0	0	0	18,653,153	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	0	0	0	0	0	0	0	0	0	0	0	0	XXX
17. Total medical and hospital (Lines 15 minus 16)	397,749,449	379,096,296	0	0	0	18,653,153	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$0 cost containment expenses	2,817,198	2,817,198	0	0	0	0	0	0	0	0	0	0	0
20. General administrative expenses	29,806,530	28,948,017	0	0	0	858,513	0	0	0	0	0	0	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	430,373,177	410,861,511	0	0	0	19,511,666	0	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	8,205,773	8,205,773	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS													XXX
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Direct Medical	18,680,564	18,580,439	0	0	0	100,125	0	0	0	0	0	0	XXX
1302. Mental Health	9,670,186	9,670,186	0	0	0	0	0	0	0	0	0	0	XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	28,350,750	28,250,625	0	0	0	100,125	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	439,158,548	0	579,598	438,578,950
2. Medicare Supplement	0	0	0	0
3. Dental only	0	0	0	0
4. Vision only	0	0	0	0
5. Federal Employees Health Benefits Plan	0	0	0	0
6. Title XVIII - Medicare	0	0	0	0
7. Title XIX - Medicaid	0	0	0	0
8. Stop loss	0	0	0	0
9. Disability income	0	0	0	0
10. Long-term care	0	0	0	0
11. Other health	0	0	0	0
12. Health subtotal (Lines 1 through 11)	439,158,548	0	579,598	438,578,950
13. Life	0	0	0	0
14. Property/casualty	0	0	0	0
15. Totals (Lines 12 to 14)	439,158,548	0	579,598	438,578,950

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	387,972,579	375,377,866	.0	.0	.0	7,248,712	5,346,001	.0	.0	.0	.0	.0	.0
1.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.4 Net	387,972,579	375,377,866	.0	.0	.0	7,248,712	5,346,001	.0	.0	.0	.0	.0	.0
2. Paid medical incentive pools and bonuses	20,969,237	20,591,296	.0	.0	.0	.0	377,941	.0	.0	.0	.0	.0	.0
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	37,336,694	36,926,047	.0	.0	.0	346,920	63,727	.0	.0	.0	.0	.0	.0
3.3 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net	37,336,694	36,926,047	.0	.0	.0	346,920	63,727	.0	.0	.0	.0	.0	.0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year	20,605,727	20,605,727	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Amounts recoverable from reinsurers December 31, current year .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	44,219,928	36,365,551	.0	.0	.0	425,639	7,428,738	.0	.0	.0	.0	.0	.0
7.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.4 Net	44,219,928	36,365,551	.0	.0	.0	425,639	7,428,738	.0	.0	.0	.0	.0	.0
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
9. Accrued medical incentive pools and bonuses, prior year	24,914,861	24,536,920	.0	.0	.0	.0	377,941	.0	.0	.0	.0	.0	.0
10. Amounts recoverable from reinsurers December 31, prior year .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
11. Incurred Benefits:													
11.1 Direct	381,089,345	375,938,362	.0	.0	.0	7,169,993	(2,019,010)	.0	.0	.0	.0	.0	.0
11.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.4 Net	381,089,345	375,938,362	.0	.0	.0	7,169,993	(2,019,010)	.0	.0	.0	.0	.0	.0
12. Incurred medical incentive pools and bonuses	16,660,103	16,660,103	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	10,798,181	10,779,750	.0	.0	.0	.0	18,431	.0	.0	.0	.0	.0	.0
1.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.4 Net	10,798,181	10,779,750	.0	.0	.0	.0	18,431	.0	.0	.0	.0	.0	.0
2. Incurred but Unreported:													
2.1 Direct	26,538,513	26,146,297	.0	.0	.0	346,920	45,296	.0	.0	.0	.0	.0	.0
2.3 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2.4 Net	26,538,513	26,146,297	.0	.0	.0	346,920	45,296	.0	.0	.0	.0	.0	.0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:													
4.1 Direct	37,336,694	36,926,047	.0	.0	.0	346,920	63,727	.0	.0	.0	.0	.0	.0
4.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net	37,336,694	36,926,047	.0	.0	.0	346,920	63,727	.0	.0	.0	.0	.0	.0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	27,850,522	347,527,345	416,701	36,509,346	28,267,223	36,365,551
2. Medicare Supplement	0	0	0	0	0	0
3. Dental Only	0	0	0	0	0	0
4. Vision Only	0	0	0	0	0	0
5. Federal Employees Health Benefits Plan	176,892	7,071,820	73,948	272,972	250,840	425,639
6. Title XVIII - Medicare	5,346,001	0	63,727	0	5,409,728	7,428,738
7. Title XIX - Medicaid	0	0	0	0	0	0
8. Other health	0	0	0	0	0	0
9. Health subtotal (Lines 1 to 8)	33,373,415	354,599,165	554,376	36,782,318	33,927,791	44,219,928
10. Other non-health	0	0	0	0	0	0
11. Medical incentive pools and bonus amounts	20,969,237	0	5,528,857	15,076,870	26,498,094	24,914,861
12. Totals (Lines 9 to 11)	54,342,652	354,599,165	6,083,233	51,859,188	60,425,885	69,134,789

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	408	0	0	0
2.	2000	0	25,122	(715)	0	0
3.	2001	XXX	106,376	18,962	373	0
4.	2002	XXX	XXX	278,390	31,520	119
5.	2003	XXX	XXX	XXX	293,806	27,732
6.	2004	XXX	XXX	XXX	XXX	347,527

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	0	0	0	0
2.	2000	0	0	0	0	0
3.	2001	XXX	132,013	0	0	0
4.	2002	XXX	XXX	313,294	0	0
5.	2003	XXX	XXX	XXX	323,539	0
6.	2004	XXX	XXX	XXX	XXX	375,938

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2000	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2001	304,721	0	0	0.0	0	0.0	0	0	0	0.0
3. 2002	362,183	119	0	0.0	119	0.0	0	0	119	0.0
4. 2003	390,098	27,732	0	0.0	27,732	7.1	417	0	28,149	7.2
5. 2004	419,067	347,527	0	0.0	347,527	82.9	34,396	1,113	383,036	91.4

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	0	0	0	0
2.	2000	0	513	0	0	0
3.	2001	XXX	3,741	852	0	0
4.	2002	XXX	XXX	7,220	2,482	0
5.	2003	XXX	XXX	XXX	9,061	177
6.	2004	XXX	XXX	XXX	XXX	7,072

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	0	0	0	0
2.	2000	0	0	0	0	0
3.	2001	XXX	5,119	0	0	0
4.	2002	XXX	XXX	7,523	0	0
5.	2003	XXX	XXX	XXX	11,653	0
6.	2004	XXX	XXX	XXX	XXX	7,170

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2000	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2001	10,371	0	0	0.0	0	0.0	0	0	0	0.0
3. 2002	17,583	0	0	0.0	0	0.0	0	0	0	0.0
4. 2003	21,611	177	0	0.0	177	0.8	74	0	251	1.2
5. 2004	19,512	7,072	0	0.0	7,072	36.2	273	0	7,345	37.6

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	377	0	0	0
2.	2000	0	13,819	(448)	0	0
3.	2001	XXX	87,616	18,337	135	0
4.	2002	XXX	XXX	91,130	16,827	0
5.	2003	XXX	XXX	XXX	58,135	5,346
6.	2004	XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	0	0	0	0
2.	2000	0	0	0	0	0
3.	2001	XXX	111,047	0	0	0
4.	2002	XXX	XXX	104,819	0	0
5.	2003	XXX	XXX	XXX	58,422	0
6.	2004	XXX	XXX	XXX	XXX	0

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2000	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2001	151,369	0	0	0.0	0	0.0	0	0	0	0.0
3. 2002	85,291	0	0	0.0	0	0.0	0	0	0	0.0
4. 2003	46,311	5,346	0	0.0	5,346	11.5	64	0	5,410	11.7
5. 2004	0	0	0	0.0	0	0.0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total						
Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	785	0	0	0
2.	2000	0	39,454	(1,163)	0	0
3.	2001	XXX	197,733	38,151	508	0
4.	2002	XXX	XXX	376,740	50,829	119
5.	2003	XXX	XXX	XXX	361,002	33,255
6.	2004	XXX	XXX	XXX	XXX	354,599

Section B - Incurred Health Claims - Grand Total						
Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	0	0	0	0	0
2.	2000	0	0	0	0	0
3.	2001	XXX	0	0	0	0
4.	2002	XXX	XXX	0	0	0
5.	2003	XXX	XXX	XXX	0	0
6.	2004	XXX	XXX	XXX	XXX	383,108

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total										
Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2000	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2001	466,461	0	0	0.0	0	0.0	0	0	0	0.0
3. 2002	465,057	119	0	0.0	119	0.0	0	0	119	0.0
4. 2003	458,020	33,255	0	0.0	33,255	7.3	555	0	33,810	7.4
5. 2004	438,579	354,599	0	0.0	354,599	80.9	34,669	1,113	390,381	89.0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY												
	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves												
2. Additional policy reserves (a)												
3. Reserve for future contingent benefits												
4. Reserve for rate credits or experience rating refunds (including \$) for investment income												
5. Aggregate write-ins for other policy reserves ...												
6. Totals (Gross)												
7. Reinsurance ceded												
8. Totals (Net)(Page 3, Line 4)												
CLAIM RESERVE												
9. Present value of amounts not yet due on claims												
10. Reserve for future contingent benefits												
11. Aggregate write-ins for other claim reserves ...												
12. Totals (Gross)												
13. Reinsurance ceded												
14. Totals (Net)(Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page.....												
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)												
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page												
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)												

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Claim Adjustment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$0 for occupancy of own building)	0	0	3,065,167	0	3,065,167
2. Salary, wages and other benefits	1,605,338	946,988	22,003,385	0	24,555,711
3. Commissions (less \$0 ceded plus \$0 assumed)	0	0	0	0	0
4. Legal fees and expenses	0	0	0	0	0
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	13,511	0	1,143,778	0	1,157,289
7. Traveling expenses	0	10,830	184,008	0	194,838
8. Marketing and advertising	14,373	0	1,662,463	0	1,676,836
9. Postage, express and telephone	0	63,177	1,103,929	0	1,167,106
10. Printing and office supplies	0	97,048	1,146,261	0	1,243,309
11. Occupancy, depreciation and amortization	0	0	1,011,504	0	1,011,504
12. Equipment	0	8,921	1,483,986	0	1,492,907
13. Cost or depreciation of EDP equipment and software	0	0	713,354	0	713,354
14. Outsourced services including EDP, claims, and other services	15,624	3,678	2,845,555	0	2,864,857
15. Boards, bureaus and association fees	0	37,710	123,239	0	160,949
16. Insurance, except on real estate	0	0	0	0	0
17. Collection and bank service charges	0	0	0	0	0
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured accident and health plans	0	0	0	0	0
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	0	0	0	0	0
22. Real estate taxes	0	0	0	0	0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	0	0	0
23.3 Regulatory authority licenses and fees	0	0	0	0	0
23.4 Payroll taxes	0	0	0	0	0
23.5 Other (excluding federal income and real estate taxes)	0	0	0	0	0
24. Investment expenses not included elsewhere	0	0	0	55,100	55,100
25. Aggregate write-ins for expenses	0	0	(6,680,099)	0	(6,680,099)
26. Total expenses incurred (Lines 1 to 25)	1,648,846	1,168,352	29,806,530	55,100	(a) 32,678,828
27. Less expenses unpaid December 31, current year ..	0	0	3,778,673	0	3,778,673
28. Add expenses unpaid December 31, prior year	0	0	4,615,675	0	4,615,675
29. Amounts receivable relating to uninsured accident and health plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured accident and health plans, current year	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,648,846	1,168,352	30,643,532	55,100	33,515,830
DETAILS OF WRITE-INS					
2501. Expenses allocated under managment agreements	0	0	(6,680,099)	0	(6,680,099)
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	(6,680,099)	0	(6,680,099)

(a) Includes management fees of \$0 to affiliates and \$0 to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds	(a) .....34,249	.....34,830
1.1	Bonds exempt from U.S. tax	(a) .....0	.....0
1.2	Other bonds (unaffiliated)	(a) .....357,332	.....357,332
1.3	Bonds of affiliates	(a) .....0	.....0
2.1	Preferred stocks (unaffiliated)	(b) .....0	.....0
2.11	Preferred stocks of affiliates	(b) .....0	.....0
2.2	Common stocks (unaffiliated) .....	.....384,220	.....384,220
2.21	Common stocks of affiliates .....	.....0	.....0
3.	Mortgage loans	(c) .....0	.....0
4.	Real estate	(d) .....0	.....0
5	Contract Loans .....	.....0	.....0
6	Cash, cash equivalents and short-term investments	(e) .....1,981,401	.....1,563,368
7	Derivative instruments	(f) .....0	.....0
8.	Other invested assets .....	.....0	.....0
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	2,757,202	2,339,750
11.	Investment expenses		(g) .....55,100
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....0
13.	Interest expense		(h) .....249,471
14.	Depreciation on real estate and other invested assets		(i) .....0
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15)		304,571
17.	Net investment income (Line 10 minus Line 16)		2,035,179
DETAILS OF WRITE-INS			
0901.	.....	
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1303 plus 1598) (Line 15, above)		0

- (a) Includes \$10,578 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest on purchases.
- (b) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued dividends on purchases.
- (c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest on purchases.
- (d) Includes \$0 for company's occupancy of its own buildings; and excludes \$0 interest on encumbrances.
- (e) Includes \$558,026 accrual of discount less \$249,471 amortization of premium and less \$0 paid for accrued interest on purchases.
- (f) Includes \$0 accrual of discount less \$0 amortization of premium.
- (g) Includes \$.55,100 investment expenses and \$0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$0 interest on surplus notes and \$0 interest on capital notes.
- (i) Includes \$0 depreciation on real estate and \$0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds	0	(69,114)	0	(69,114)
1.1	Bonds exempt from U.S. tax	0	0	0	0
1.2	Other bonds (unaffiliated)	(90,817)	0	(31,282)	(122,099)
1.3	Bonds of affiliates	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0
2.2	Common stocks (unaffiliated)	226,906	478,460	1,705,052	2,410,418
2.21	Common stocks of affiliates	0	0	(372,391)	(372,391)
3.	Mortgage loans	0	0	0	0
4.	Real estate	0	0	0	0
5.	Contract Loans	0	0	0	0
6.	Cash, cash equivalents and short-term investments	(22,990)	9,030	0	(13,960)
7.	Derivative instruments	0	0	0	0
8.	Other invested assets	0	0	(5,593)	(5,593)
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0
10.	Total capital gains (losses)	113,099	418,376	1,295,786	1,827,261
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0

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EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivable for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Investment income due and accrued	0	0	0
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection	50,661	37,857	(12,804)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
12.3 Accrued retrospective premiums	0	0	0
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers	0	0	0
13.2 Funds held by or deposited with reinsured companies	0	0	0
13.3 Other amounts receivable under reinsurance contracts	0	0	0
14. Amounts receivable relating to uninsured plans	0	0	0
15.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
15.2 Net deferred tax asset	0	0	0
16. Guaranty funds receivable or on deposit	0	0	0
17. Electronic data processing equipment and software	722,833	1,021,591	298,758
18. Furniture and equipment, including health care delivery assets	334,949	189,868	(145,081)
19. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
20. Receivable from parent, subsidiaries and affiliates	0	0	0
21. Health care and other amounts receivable	0	0	0
22. Other assets nonadmitted	0	0	0
23. Aggregate write-ins for other than invested assets	4,058,562	3,773,527	(285,035)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,167,005	5,022,843	(144,162)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	5,167,005	5,022,843	(144,162)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses	3,141,644	2,957,377	(184,267)
2302. Leasehold Improvements	856,057	816,150	(39,907)
2303. Improvements in Progress	60,861	0	(60,861)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	4,058,562	3,773,527	(285,035)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	161,521	155,358	154,358	155,313	159,523	1,900,992
2. Provider Service Organizations	0	0	0	0	0	0
3. Preferred Provider Organizations	0	0	0	0	0	0
4. Point of Service	25,021	24,395	23,880	23,430	23,832	290,211
5. Indemnity Only	0	0	0	0	0	0
6. Aggregate write-ins for other lines of business.....	5,006	0	0	0	0	0
7. Total	191,548	179,753	178,238	178,743	183,355	2,191,203
DETAILS OF WRITE-INS						
0601.	5,006	0	0	0	0	0
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	5,006	0	0	0	0	0

THE UNIVERSITY OF MICHIGAN
M-CARE

Notes to Statutory Filing
December 31, 2004 and 2003

Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The Regents of The University of Michigan (“University”) have the ultimate responsibility for M-CARE (“the Corporation”), and as part of the University, the financial statements of the Corporation are included in the combined financial statements of the University. As part of the University, the Corporation is a tax-exempt entity under the provisions of section 501(c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services (“OFIS”) and must submit periodic filings under rules promulgated by the State of Michigan. The Corporation was established by the University for the purpose of operating a health maintenance organization and in connection therewith, utilizes assets, the title to which is vested in the University.

On September 25, 2002, the Corporation established a wholly owned, not for profit Health Maintenance Organization (“HMO”) subsidiary named M-CAID to contract directly with the State of Michigan to administer Medicaid products. M-CAID received its certificate of authority on November 13, 2002 and operations began January 1, 2003.

In February 2004, the Corporation formed a new subsidiary, Michigan Health Insurance Company. This entity was formed for the purpose of expanding the Corporation’s product lines to include insured and self funded PPO products. Sales of the PPO product began in April 2004. The PPO is a taxable entity.

Summary of Significant Accounting Policies: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003.

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. Short term investments are stated at amortized cost using the effective yield method.

Investments: Bonds are stated at amortized cost using the effective yield method.

Equipment and Improvements: Equipment and improvements are stated at cost. Depreciation of furniture and equipment and amortization of improvements are calculated on the straight-line basis over the estimated useful lives of the assets.

Premiums: Premium revenues are recognized as revenue in the period in which the member is entitled to service. Premiums collected prior to the effective date of coverage are classified as unearned subscription income.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

Health Expense: The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of claims unpaid.

Health Liability: Claims unpaid and unpaid adjustment expenses represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expenses are estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. Those estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes that the liability for claims unpaid and unpaid adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Estimates: The preparation of financial statements in conformity with the Annual Statement Instructions and *Accounting Practices and Procedures* manual requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Accounting Changes and Corrections of Errors

The Corporation prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan required that HMO's in the State prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as change in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to surplus in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Corporation reported a change of accounting principle, as an adjustment that decreased surplus of \$816,000 as of January 1, 2003. At December 31, 2004, the valuation of the investments was changed to amortized cost from fair value resulting in a change in accounting principle of \$9,000.

Note 3 – Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

Note 4 – Discontinued Operations

The Corporation discontinued operations in Medicaid after December 31, 2002. At January 1, 2003, all Medicaid operations were included under the newly formed entity M-CAID.

The Corporation discontinued operations in Medicare as of December 31, 2003. The effect of the

discontinued operations on the financial statements is estimated to be immaterial and accrued for in claims payable at December 31, 2003.

Note 5 – Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies at December 31, 2004 and 2003.

Note 7 – Investment Income

No amount of investment income receivable was excluded.

Note 8 – Derivative Instruments

This note does not apply to the Corporation in this period.

Note 9 – Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

Subscription premiums of approximately \$126,699,000 in 2004 and \$110,709,000 in 2003 were derived through group contracts with the University.

Health care expenses of \$185,218,000 in 2004 and \$147,178,000 in 2003 were incurred for services received by the Corporation's subscribers as a result of contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice. As a result of the health care expense transactions, the corresponding amounts due to the University at December 31, 2004 and 2003 were \$14,078,000 and \$19,270,000, respectively.

The Corporation's staff are employees of the University. The Corporation reimburses the University for payroll, fringe benefits, payroll taxes and payroll processing costs amounting to \$24,556,000 and \$23,452,000 in 2004 and 2003, respectively.

During 2003, the Corporation invested an additional \$700,000 in M-CAID, a wholly owned subsidiary HMO. Starting in 2003, M-CAID recorded all revenue and expense transactions related the Corporation's Medicaid product. M-CAID files a separate statutory report and its asset's value is stated at M-CAID's statutory capital and surplus balance, and is reported in other invested assets.

During 2004, the Corporation invested \$10,000,000 in Michigan Health Insurance Company ("MHIC"). This for-profit entity was formed for the purpose of expanding the Corporation's product lines to include insured and self funded PPO products. Sales of the PPO product began in April 2004.

MHIC files a separate statutory report and its asset's value is stated at MHIC's statutory capital and surplus balance, and is recorded in common stocks.

Note 11 – Debt: Surplus Note Payable

Interest on the Corporation's subordinated note payable to the University is computed annually based on the lesser of 7 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 3.8 percent to 4.7 percent for 2004 and 3.32 percent to 4.45 percent for 2003. Annual principal payments plus interest are subject to approval by the Corporation's Board of Directors and the OFIS and are subordinate to the payment of administrative and health care costs. Accumulated interest payable to the University on the note payable totaled \$133,000 and \$368,000 at December 31, 2004 and 2003, respectively. Principal payments of \$500,000 were made on the subordinated note in 2004, none in 2003. Interest payments totaling \$411,000 and \$1,343,000 were paid in 2004 and 2003, respectively.

Note 12 – Retirement Plan, Postemployment Benefits

The Corporation's staff participates in the University retirement plan, a defined contribution retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), and Fidelity Management Trust Company (FMTTC) for all qualified employees. All primary staff are eligible to participate in the plan of their choice based on age and service requirements. Participants maintain individual annuity contracts with TIAA-CREF or accounts with FMTTC, and are fully vested. Eligible employees generally contribute 5 percent of their pay and the University generally contributes an amount equal to 10 percent of employees' pay to the plan. Participants may elect to contribute additional amounts to the plan within specified limits, which are not matched by University contributions.

In addition to providing retirement income benefits, the University and the Corporation provide certain health care and other post-employment benefits for retired employees. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University.

Health care benefits for retirees and survivors are provided through insurance companies and health maintenance organizations, whose premiums are based in part on the benefits paid. The University and the Corporation recognize the cost of providing these benefits on a pay-as-you-go basis.

Note 13 – Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Corporation is wholly owned by the University. There are no shares of stock authorized or issued.

Note 14 – Contingencies

This note does not apply to the Corporation in this period.

Note 15 – Leases

Total rental expense for operating leases for office space was \$3,065,000 in 2004 and \$2,796,000 in 2003. The future minimum rental payments at December 31, 2004, required in connection with

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

operating leases that have initial or remaining non-cancelable terms in excess of one year, are as follows (in thousands):

2005	\$ 3,163
2006	3,218
2007	3,171
2008	2,309
Thereafter	<u>2,897</u>
	<u>\$ 14,758</u>

Note 16 – Financial Instruments with Off - Balance Sheet Risk

This note does not apply to the Corporation in this period.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note does not apply to the Corporation in this period.

Note 18 – Gain or Loss from Uninsured Plans

This note does not apply to the Corporation in this period.

Note 19 – Direct Premium Written / Produced by Managing General Agents / Third Party Administrators

This note does not apply to the Corporation in this period.

Note 20 – September 11 Events

This note does not apply to the Corporation in this period.

Note 21 – Other Items

This note does not apply to the Corporation in this period.

Note 22 – Events Subsequent

This note does not apply to the Corporation in this period.

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

Yes ()

No (X)

If yes, give full details.

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ()

No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ()

No (X)

- a. a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$N/A.

- b. b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?
\$N/A.

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ()

No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ()

No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$N/A

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Corporation had an immaterial amount of accrued retrospective premium adjustments. In 2004 and 2003, the amount of premiums earned by the Corporation that were subject to retrospective rating was \$19,511,666 and \$21,611,201, which represented 4% and 5% of total premium revenues, respectively. Such amounts represent premiums earned from the Federal Employee Health Benefit Plan.

Note 25 – Change in Incurred Claims and Claim Adjustment Expenses

Changes in accrued health care expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Accrued health care expenses, beginning of year	\$ 69,135	\$ 80,319
Incurred related to:		
Current year	406,458	427,344
Prior years	<u>(8,709)</u>	<u>(11,471)</u>
Total incurred	<u>397,749</u>	<u>415,873</u>
Paid related to:		
Current year	(354,599)	(361,003)
Prior years	<u>(54,343)</u>	<u>(66,054)</u>
Total paid	<u>(408,942)</u>	<u>(427,057)</u>
Accrued health care expenses, end of year	\$ 57,942	\$ 69,135

The liability for accrued health care expenses includes the Corporation's estimate of the total remaining liability for reported and unreported claims. The method of making such estimates and for establishing the resultant reserves is continually reviewed and updated, and any adjustments resulting there from are reflected in expense currently. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. The 2004 and 2003 health care services expenses include the impact of favorable changes in previous years' incurred but not reported estimates of

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

\$8,709,000 and \$11,471,000, respectively.

Note 26 – Intercompany Pooling Arrangements

This note does not apply to the Corporation in this period.

Note 27 – Structured Settlements

This note does not apply to the Corporation in this period.

Note 28 – Health Care Receivables

As all pharmaceutical rebates are received by the Corporation more than 180 days after billing, no receivables are recorded. Schedule is reported in thousands.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2004	\$746	\$0	\$0	\$0	\$746
9/30/2004	1,242	0	0	0	1,242
6/30/2004	0	0	0	0	0
3/30/2004	738	0	0	0	738
12/31/2003	998	0	0	0	998
9/30/2003	704	0	0	0	704
6/30/2003	459	0	0	0	459
3/31/2003	621	0	0	0	621
12/31/2002	587	0	0	0	587
9/30/2002	674	0	0	0	674
6/30/2002	615	0	0	0	615
3/31/2002	691	0	0	0	691

Note 29 – Participating Policies

This note does not apply to the Corporation in this period.

Note 30 – Premium Deficiency Reserves

This note does not apply to the Corporation in this period.

Note 31 – Anticipated Salvage and Subrogation

This note does not apply to the Corporation in this period.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	1,053,426	0.8	1,053,426	0.8
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	0	0.0	0	0.0
1.22 Issued by U.S. government sponsored agencies	0	0.0	0	0.0
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	0	0.0	0	0.0
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations	0	0.0	0	0.0
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	0	0.0	0	0.0
1.43 Revenue and assessment obligations	0	0.0	0	0.0
1.44 Industrial development and similar obligations	0	0.0	0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	0	0.0	0	0.0
1.512 Issued or guaranteed by FNMA and FHLMC	0	0.0	0	0.0
1.513 All other	0	0.0	0	0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	0	0.0	0	0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	0	0.0	0	0.0
1.523 All other	0	0.0	0	0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	0	0.0	0	0.0
2.2 Unaffiliated foreign securities	0	0.0	0	0.0
2.3 Affiliated securities	0	0.0	0	0.0
3. Equity interests:				
3.1 Investments in mutual funds	38,839,847	30.5	38,839,847	30.5
3.2 Preferred stocks:				
3.21 Affiliated	0	0.0	0	0.0
3.22 Unaffiliated	0	0.0	0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.0	0	0.0
3.32 Unaffiliated	0	0.0	0	0.0
3.4 Other equity securities:				
3.41 Affiliated	9,627,609	7.6	9,627,609	7.6
3.42 Unaffiliated	0	0.0	0	0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.0	0	0.0
3.52 Unaffiliated	0	0.0	0	0.0
4. Mortgage loans:				
4.1 Construction and land development	0	0.0	0	0.0
4.2 Agricultural	0	0.0	0	0.0
4.3 Single family residential properties	0	0.0	0	0.0
4.4 Multifamily residential properties	0	0.0	0	0.0
4.5 Commercial loans	0	0.0	0	0.0
4.6 Mezzanine real estate loans	0	0.0	0	0.0
5. Real estate investments:				
5.1 Property occupied by the company	0	0.0	0	0.0
5.2 Property held for the production of income (includes \$0 of property acquired in satisfaction of debt)	0	0.0	0	0.0
5.3 Property held for sale (\$0 including property acquired in satisfaction of debt)	0	0.0	0	0.0
6. Policy loans	0	0.0	0	0.0
7. Receivables for securities	0	0.0	0	0.0
8. Cash, cash equivalents and short-term investments	75,888,030	59.5	75,888,030	59.5
9. Other invested assets	2,058,471	1.6	2,058,471	1.6
10. Total invested assets	127,467,383	100.0	127,467,383	100.0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

08/30/2001

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/30/2001

3.4

By what department or departments?

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

4.12 renewals?

Yes ☐ No ☒ Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

4.22 renewals?

Yes ☐ No ☒ Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

0.0 %

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No []
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No []
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....
.....
.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
11. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
- 11.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [] No [X]
13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [] No [X]
14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.11 To directors or other officers.....\$0

15.12 To stockholders not officers.....\$0

15.13 Trustees, supreme or grand (Fraternal Only)\$0
- 15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.21 To directors or other officers.....\$0

15.22 To stockholders not officers.....\$0

15.23 Trustees, supreme or grand (Fraternal Only)\$0
- 16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 16.2 If yes, state the amount thereof at December 31 of the current year:
- 16.21 Rented from others.....\$0

16.22 Borrowed from others.....\$0

16.23 Leased from others\$0

16.24 Other\$0

Disclose in Notes to Financial Statements the nature of each obligation.

- 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 17.2 If answer is yes,
- 17.21 Amount paid as losses or risk adjustment \$0

17.22 Amount paid as expenses\$0

17.23 Other amounts paid\$0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred	0	0	0.000	0	Yes [] No []	Yes [] No []
Common	0	0	0.000	XXX	XXX	XXX

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

19.2 If no, give full and complete information relating thereto:

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1). Yes [] No [X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others \$ 0

20.22 Subject to repurchase agreements \$ 0

20.23 Subject to reverse repurchase agreements \$ 0

20.24 Subject to dollar repurchase agreements \$ 0

20.25 Subject to reverse dollar repurchase agreements \$ 0

20.26 Pledged as collateral \$ 0

20.27 Placed under option agreements \$ 0

20.28 Letter stock or other securities restricted as to sale \$ 0

20.29 Other \$ 0

20.3 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

22.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
- Yes [X] No []

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Nature of Custodian(s)	2 Custodian's Address
Mellon Bank	135 Santilli Hwy.; Everett, MA 02149
.....

- 23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....
.....

- 23.03 Has there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year?
- Yes [] No [X]

23.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....
.....

- 23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....
.....

- 24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)]?
- Yes [X] No []

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
140193-10-3	American Funds CIB	29,026,984
9999999 - Total		29,026,984

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
American Funds CIB	Altria Group Inc	343,796	01/31/2005
American Funds CIB	E.on AG	317,192	01/31/2005
American Funds CIB	SBC Communications, Inc.	276,264	01/31/2005
American Funds CIB	Federal National Mortgage Association	261,939	01/31/2005
American Funds CIB	National Grid Transco PLC	255,800	01/31/2005

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

INVESTMENT

25. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
25.1 Bonds	58,841,927	58,851,013	(9,086)
25.2 Preferred stocks	0	0	0
25.3 Totals	58,841,927	58,851,013	(9,086)

25.4 Describe the sources or methods utilized in determining the fair values:
Per Mellon monthly investment statement

26.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [] No []

26.2 If no, list exceptions:

OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?\$0

27.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

28.1 Amount of payments for legal expenses, if any?\$0

28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$0

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 0

1.62

Total incurred claims

\$ 0

1.63

Number of covered lives

0

All years prior to most current three years

1.64

Total premium earned

\$ 0

1.65

Total incurred claims

\$ 0

1.66

Number of covered lives

0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 0

1.72

Total incurred claims

\$ 0

1.73

Number of covered lives

0

All years prior to most current three years

1.74

Total premium earned

\$ 0

1.75

Total incurred claims

\$ 0

1.76

Number of covered lives

0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

0

0

2.2

Premium Denominator

0

0

2.3

Premium Ratio (2.1/2.2)

0.000

0.000

2.4

Reserve Numerator

0

0

2.5

Reserve Denominator

0

0

2.6

Reserve Ratio (2.4/2.5)

0.000

0.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2

If no, explain

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ 200,000

5.32

Medical Only

\$ 0

5.33

Medicare Supplement

\$ 0

5.34

Dental

\$ 0

5.35

Other Limited Benefit Plan

\$ 0

5.36

Other

\$ 0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [X] No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

5,493

8.2

Number of providers at end of reporting year

5,575

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months..\$.....

0

9.22

Business with rate guarantees over 36 months

\$ 0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [X] No []

10.2

If yes:

10.21

Maximum amount payable bonuses.....

\$

0

10.22

Amount actually paid for year bonuses.....

\$

20,605,727

10.23

Maximum amount payable withholds.....

\$

0

10.24

Amount actually paid for year withholds.....

\$

0

11.1

Is the reporting entitiy organized as:

11.12

A Medical Group/Staff Model,

Yes [] No [X]

11.13

An Individual Practice Association (IPA), or, .

Yes [X] No []

11.14

A Mixed Model (combination of above)?

Yes [] No [X]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [] No []

11.3

If yes, show the name of the state requiring such net worth

11.4

If yes, show the amount required

\$

0

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6

If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
.....
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

FIVE-YEAR HISTORICAL DATA

	1 2004	2 2003	3 2002	4 2001	5 2000
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	131,555,583	133,443,620	136,287,718	131,567,742	128,059,965
2. Total liabilities (Page 3, Line 22)	69,064,103	81,956,208	94,700,372	90,876,641	96,448,727
3. Statutory surplus	0	0	0	0	0
4. Total capital and surplus (Page 3, Line 30)	62,491,480	51,487,412	41,546,093	40,691,101	31,611,238
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	438,578,950	458,020,490	488,681,852	488,779,461	417,751,891
6. Total medical and hospital expenses (Line 18)	397,749,449	415,873,023	451,402,456	446,614,852	374,996,805
7. Claims adjustment expenses (Line 20)	2,817,198	0	0	0	0
8. Total administrative expenses (Line 21)	29,806,530	33,683,203	35,420,712	36,799,929	37,067,273
9. Net underwriting gain (loss) (Line 24)	8,205,773	8,464,264	1,858,684	5,364,680	5,687,813
10. Net investment gain (loss) (Line 27)	2,566,652	2,056,967	3,360,869	5,017,989	8,100,022
11. Total other income (Lines 28 plus 29)	(411,205)	(1,343,000)	(886,000)	0	0
12. Net income or (loss) (Line 32)	10,361,220	9,178,231	4,333,553	10,382,669	13,787,835
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	62,491,479	51,487,412	41,546,093	40,691,101	31,611,238
14. Authorized control level risk-based capital	13,241,607	12,490,127	13,721,645	13,660,935	11,923,089
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	183,355	191,548	205,170	197,721	183,288
16. Total members months (Column 6, Line 7)	2,191,203	2,310,920	2,426,305	2,353,728	2,179,112
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	90.7	90.8	92.4	91.4	89.8
19. Cost containment expenses	0.4	XXX	XXX	XXX	XXX
20. Other claims adjustment expenses	0.3	0.0	0.0	0.0	0.0
21. Total underwriting deductions (Line 23)	98.1	98.2	99.6	98.9	98.6
22. Total underwriting gain (loss) (Line 24)	1.9	1.8	0.4	1.1	1.4
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 12, Col. 5)	60,425,885	68,847,080	58,506,923	54,582,253	27,510,924
24. Estimated liability of unpaid claims-[prior year (Line 12, Col. 6)]	69,134,789	80,318,547	73,867,399	64,996,566	37,864,165
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	0	0	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate	0	0	0	0	0
30. All other affiliated	0	0	0	0	0
31. Total of above Lines 25 to 30	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	1,053,426	1,133,703	1,119,444	1,015,080
	2. Canada	0	0	0	0
	3. Other Countries	0	0	0	0
	4. Totals	1,053,426	1,133,703	1,119,444	1,015,080
States, Territories and Possessions (Direct and guaranteed)	5. United States	0	0	0	0
	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	0	0	0	0
	10. Canada	0	0	0	0
	11. Other Countries	0	0	0	0
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non- guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	0	0	0	0
	14. Canada	0	0	0	0
	15. Other Countries	0	0	0	0
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States	0	0	0	0
	18. Canada	0	0	0	0
	19. Other Countries	0	0	0	0
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	9,812,863	9,812,863	10,019,026	966,785
	22. Canada	0	0	0	0
	23. Other Countries	0	0	0	0
	24. Totals	9,812,863	9,812,863	10,019,026	966,785
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	10,866,289	10,946,566	11,138,470	1,981,865
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States	0	0	0	
	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	0	0	0	
	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States	0	0	0	
	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	0	0	0	
	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	38,654,593	38,654,593	37,033,920	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	38,654,593	38,654,593	37,033,920	
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	
	54. Total Common Stocks	38,654,593	38,654,593	37,033,920	
	55. Total Stocks	38,654,593	38,654,593	37,033,920	
	56. Total Bonds and Stocks	49,520,882	49,601,159	48,172,390	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	37,835,866	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Col. 7, Part 3	40,554,262	6.1 Col. 15, Part 1	0
3. Increase (decrease) by adjustment:		6.2 Col. 19, Part 2, Sec. 1	0
3.1 Col. 12 + 13 - 14, Part 1	(24,443)	6.3 Col. 16, Part 2, Sec. 2	0
3.2 Col. 18, Part 2, Sec. 1	0	6.4 Col. 15, Part 4	0
3.3 Col. 15, Part 2, Sec. 2	1,620,673	7. Book/adjusted carrying value at end of current period	49,520,883
3.4 Col. 14, Part 4	(374,542)	8. Total valuation allowance	0
4. Total gain (loss), Col. 19, Part 4	136,089	9. Subtotal (Lines 7 plus 8)	49,520,883
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	30,227,022	10. Total nonadmitted amounts	0
		11. Statement value of bonds and stocks, current period	49,520,883

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE MCARE

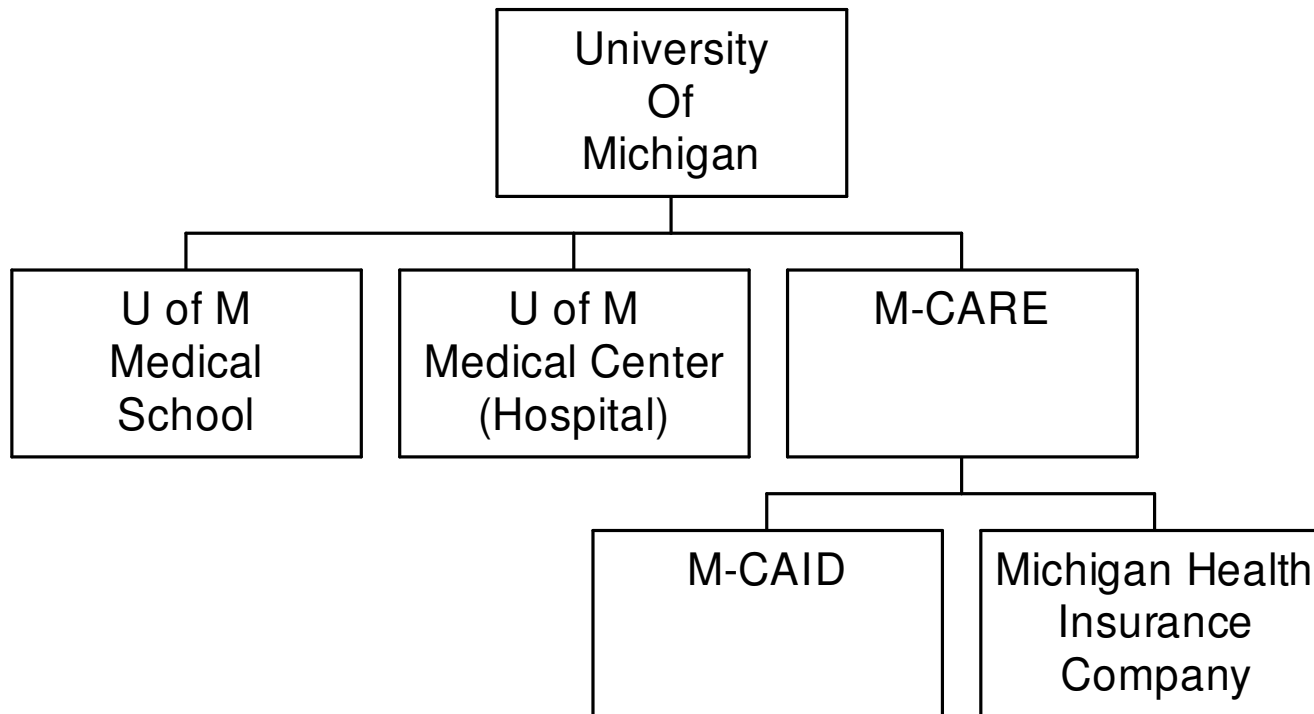
SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only					
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama	AL	NO	0	0	0	0	0	0
2. Alaska	AK	NO	0	0	0	0	0	0
3. Arizona	AZ	NO	0	0	0	0	0	0
4. Arkansas	AR	NO	0	0	0	0	0	0
5. California	CA	NO	0	0	0	0	0	0
6. Colorado	CO	NO	0	0	0	0	0	0
7. Connecticut	CT	NO	0	0	0	0	0	0
8. Delaware	DE	NO	0	0	0	0	0	0
9. District of Columbia	DC	NO	0	0	0	0	0	0
10. Florida	FL	NO	0	0	0	0	0	0
11. Georgia	GA	NO	0	0	0	0	0	0
12. Hawaii	HI	NO	0	0	0	0	0	0
13. Idaho	ID	NO	0	0	0	0	0	0
14. Illinois	IL	NO	0	0	0	0	0	0
15. Indiana	IN	NO	0	0	0	0	0	0
16. Iowa	IA	NO	0	0	0	0	0	0
17. Kansas	KS	NO	0	0	0	0	0	0
18. Kentucky	KY	NO	0	0	0	0	0	0
19. Louisiana	LA	NO	0	0	0	0	0	0
20. Maine	ME	NO	0	0	0	0	0	0
21. Maryland	MD	NO	0	0	0	0	0	0
22. Massachusetts	MA	NO	0	0	0	0	0	0
23. Michigan	MI	YES	419,646,882	0	0	19,511,666	0	0
24. Minnesota	MN	NO	0	0	0	0	0	0
25. Mississippi	MS	NO	0	0	0	0	0	0
26. Missouri	MO	NO	0	0	0	0	0	0
27. Montana	MT	NO	0	0	0	0	0	0
28. Nebraska	NE	NO	0	0	0	0	0	0
29. Nevada	NV	NO	0	0	0	0	0	0
30. New Hampshire	NH	NO	0	0	0	0	0	0
31. New Jersey	NJ	NO	0	0	0	0	0	0
32. New Mexico	NM	NO	0	0	0	0	0	0
33. New York	NY	NO	0	0	0	0	0	0
34. North Carolina	NC	NO	0	0	0	0	0	0
35. North Dakota	ND	NO	0	0	0	0	0	0
36. Ohio	OH	NO	0	0	0	0	0	0
37. Oklahoma	OK	NO	0	0	0	0	0	0
38. Oregon	OR	NO	0	0	0	0	0	0
39. Pennsylvania	PA	NO	0	0	0	0	0	0
40. Rhode Island	RI	NO	0	0	0	0	0	0
41. South Carolina	SC	NO	0	0	0	0	0	0
42. South Dakota	SD	NO	0	0	0	0	0	0
43. Tennessee	TN	NO	0	0	0	0	0	0
44. Texas	TX	NO	0	0	0	0	0	0
45. Utah	UT	NO	0	0	0	0	0	0
46. Vermont	VT	NO	0	0	0	0	0	0
47. Virginia	VA	NO	0	0	0	0	0	0
48. Washington	WA	NO	0	0	0	0	0	0
49. West Virginia	WV	NO	0	0	0	0	0	0
50. Wisconsin	WI	NO	0	0	0	0	0	0
51. Wyoming	WY	NO	0	0	0	0	0	0
52. American Samoa	AS	NO	0	0	0	0	0	0
53. Guam	GU	NO	0	0	0	0	0	0
54. Puerto Rico	PR	NO	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	NO	0	0	0	0	0	0
56. Canada	CN	NO	0	0	0	0	0	0
57. Aggregate Other Aliens	OT	XXX	0	0	0	0	0	0
58. Totals (Direct Business)	XXX	(a) 1	419,646,882	0	0	19,511,666	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation of premiums by states, etc. of premiums and annuity considerations

(a) Insert the number of yes responses except for Canada and Other Alien.

Organization Chart



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OVERFLOW PAGE FOR WRITE-INS